

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BULLOCK PEN WATER)	
DISTRICT, OF GRANT, PENDLETON, AND)	
GALLATIN COUNTIES, KENTUCKY, FOR)	CASE NO. 9720
APPROVAL OF CONSTRUCTION, FINANCING,)	
AND INCREASED RATES)	

O R D E R

On October 20, 1986, Bullock Pen Water District ("Bullock Pen") filed its application seeking approval of its proposed construction, financing and rate increase. An Interim Order was issued April 23, 1987, addressing the issues of construction and financing. Therefore, this Order will address the issue of rate increase only.

On April 23, 1987, a hearing was held at the Commission's offices at Frankfort, Kentucky. There were no intervenors and all requested information has been filed.

On December 2, 1986, the Commission staff conducted a field review of Bullock Pen's test period financial records and issued its report on February 17, 1986, containing staff's recommendations. At the hearing staff amended its original report to

include the following: (1) depreciation expense of \$72,319;¹ and (2) debt service recognizing increased debt at the current interest rate of 6.5 percent for a revised debt service of \$157,933.² Based on revised debt service, adjusted operating expenses of \$323,393 and a 1.2X debt service coverage ("DSC") staff recommended a revenue increase of \$146,690, \$17,311 less than the amount requested by Bullock Pen. The Commission is of the opinion that a 1.2X DSC is fair, just, and reasonable and will allow Bullock Pen ample opportunity to pay its operating expenses and provide for future equity growth. Therefore, the Commission affirms staff's recommended increase of \$146,690.

NON-RECURRING CHARGES

Bullock Pen provided cost justification relating to various non-recurring charges. It requested a reconnection charge of \$35 for a 5/8 x 3/4-inch meter and a charge of \$45 for all larger size

¹	Total Construction Cost	\$742,000
	Less: Land Cost	<u>6,000</u>
	Net Construction Cost	\$736,000
	Times: Depreciation Rule	<u>2⁸</u>
	Depreciation Expense - New Place	\$ 14,720
	Depreciation Expense - Old Place	56,991
	Depreciation Expense - Capitalized Item	<u>608</u>
	Total Depreciation Expense	<u><u>72,319</u></u>

²	5-Year Average	
	1959 Bond	\$ 23,897
	1974 Bond	77,850
	1982 Bond	7,050
	1986 Bond	21,333
	1987 Bond	<u>27,803</u>
		<u><u>\$157,933</u></u>

meters that would cover the costs of removing and resetting a meter. Bullock Pen also proposed a service run fee of \$15 for a customer requested meter test, to be charged if the meter is found to be measuring accurately.

Bullock Pen proposed to establish a returned check charge of \$5, a charge of \$15 to reread a meter at the request of a customer, if the original reading is found to be correct, and a customer deposit in the amount of \$31.50.

Bullock Pen provided cost justification to increase its connection fees for a 5/8 x 3/4-inch connection to \$390 and to increase its 1-inch connection fee to \$585. Also, Bullock Pen requested that it be permitted to charge the actual cost of installation for all connections larger than 1-inch.

The Commission is of the opinion that the cost justification provided is adequate and the non-recurring charges should be approved as set out in Appendix A of this Order.

FINDINGS AND ORDERS

1. The rates proposed by Bullock Pen will produce revenues in excess of those found to be fair, just, and reasonable herein and should be denied upon application of KRS 278.030.

2. The rates and charges in appendix A are the fair, just, and reasonable rates to be charged by Bullock Pen in that they should produce annual revenues of \$502,711.

3. The non-recurring charges proposed by Bullock Pen should be approved as set out in Appendix A of this Order.

IT IS THEREFORE ORDERED that:

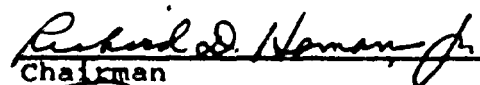
1. The rates requested by Bullock Pen be and they are hereby denied.

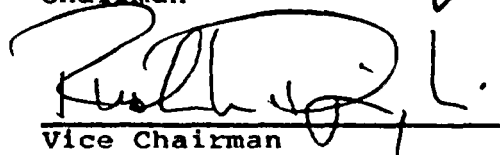
2. The rates and charges in Appendix A are the fair, just, and reasonable rates and charges to be charged by Bullock Pen for water service rendered on and after the date of this Order.

3. The non-recurring charges set out in Appendix A be and they hereby are approved.

Done at Frankfort, Kentucky, this 2nd day of June, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 9720 DATED JUNE 2, 1987.

The following rates and charges are prescribed for the customers in the area served by Bullock Pen Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

RATES: Monthly

5/8 x 3/4 Inch Connection

First 2,000 gallons	\$12.35 Minimum Bill
Next 3,000 gallons	4.95 per 1,000 gallons
Next 5,000 gallons	4.25 per 1,000 gallons
Next 10,000 gallons	3.55 per 1,000 gallons
Over 20,000 gallons	2.80 per 1,000 gallons

1 Inch Connection

First 5,000 gallons	\$27.20 Minimum Bill
Next 5,000 gallons	4.25 per 1,000 gallons
Next 10,000 gallons	3.55 per 1,000 gallons
Over 20,000 gallons	2.80 per 1,000 gallons

1 1/2 Inch Connection

First 10,000 gallons	\$48.45 Minimum Bill
Next 10,000 gallons	3.55 per 1,000 gallons
Over 20,000 gallons	2.80 per 1,000 gallons

2 Inch Connection

First 20,000 gallons	\$83.95 Minimum Bill
Over 20,000 gallons	2.80 per 1,000 gallons

Bulk Loading Stations

\$ 4.25 per 1,000 gallons

Reconnection Charges

5/8 x 3/4 Inch Connection	\$35.00
All larger than 5/8 x 3/4 Inch	45.00
Service Run Charge	15.00

Return Check Charge	5.00
Meter Rereading Charge	15.00
Customer Deposit	31.50

Connection Fees

5/8 x 3/4 Inch Connection	\$390
1 Inch Connection	585
Connections larger than 1 Inch	Actual cost of installation